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T.R.A. DOCKET ROOM

November 9, 2005

Chairman Ron Jones  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

Re: Direct Testimony of Thomas W. Sokol, Kevin P. Collins, John W. Mayo and Kent W. Dickerson - Docket No. 05-00240

Dear Chairman Jones:

Enclosed for filing in the above-referenced docket is the original and thirteen (13) copies of the Direct Testimony of Witnesses Thomas W. Sokol, Kevin P. Collins, John W. Mayo and Kent W. Dickerson on behalf of Sprint Nextel Corporation. Information marked as proprietary is being filed under seal in a separate envelope and should be afforded the usual protections pursuant to the terms of the Protective Order entered on November 9, 2005. Under cover of this letter, copies of both versions of this filing are being served upon counsel for Communications Workers of America, AFL-CIO.

Please note that the confidential versions of the testimony and exhibits of Kent W. Dickerson and Kevin P. Collins are marked "highly confidential, containing no confidential information." These marks were placed on the testimony and exhibits prior to the entry of the protective order on November 9, 2005. Such markings are being retained and do not impact how this confidential information is to be treated under the terms of the Authority's protective order. Thus, any item marked 'highly confidential, containing no confidential information' is in fact confidential and should be treated accordingly.

An extra copy of this letter is enclosed. Please stamp it 'Filed' and return to me in the enclosed self-addressed stamped envelope. Should you have questions or concerns with this filing, please do not hesitate to contact me at your convenience.

Sincerely yours,



Edward Phillips

HEP:sm

Enclosures

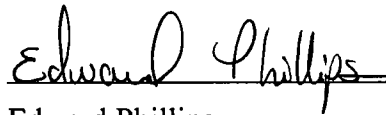
cc: Don Scholes

## CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of Sprint Nextel Corporation's Direct Testimony of Witnesses Thomas W. Sokol, Kevin P. Collins, John W. Mayo and Kent W. Dickerson upon counsel for Communications Workers of America, AFL-CIO by depositing a copy in the United States Mail, first-class postage prepaid.

This 9<sup>th</sup> day of November, 2005.

Donald L. Scholes  
Branstetter, Kilgore, Stranch & Jennings  
227 Second Avenue North, Fourth Floor  
Nashville, TN 37219

A handwritten signature in cursive script, reading "Edward Phillips", is written over a horizontal line.

Edward Phillips  
Sprint Nextel Corporation

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In the Matter of:

)  
)  
Application of Sprint Nextel Corporation )  
for Approval of the Transfer of Control of )  
United Telephone-Southeast, Inc., Sprint )  
Long Distance, Inc. and Sprint Payphone )  
Services, Inc. From Sprint Nextel )  
Corporation to LTD Holding Company. )

Docket No. 05-00240

**DIRECT TESTIMONY OF THOMAS W. SOKOL IN SUPPORT OF THE  
APPLICATION OF SPRINT NEXTEL CORPORATION FOR APPROVAL OF THE  
TRANSFER OF CONTROL**

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1   **I.     Introduction**

2

3   **Q.     Please state your name and your business address.**

4   A.     My name is Thomas W. Sokol. My office is located at 707 E. Main Street, Suite  
5           1775, Richmond, Virginia.

6

7   **Q.     By whom are you employed and what is your position?**

8   A.     I am employed by Sprint Nextel Corporation ("Sprint") as Sprint's State  
9           Executive for Tennessee and Virginia.

10

11   **Q.     Please describe your educational background, work experience and present**  
12           **responsibilities.**

13   A.     I have a Bachelor of Science Degree in Business Administration from Franciscan  
14           University in Steubenville, Ohio. I hold a Masters Degree in Business  
15           Administration from Gannon University in Erie, Pennsylvania. I am a Certified  
16           Internal Auditor.

17

18           I have held officer positions at United Telephone-Southeast, Inc. and Sprint Mid-  
19           Atlantic Telecom, Inc. in Finance, Human Resources and External Affairs. In my  
20           current position as State Executive, I have responsibility for Legislative,  
21           Regulatory and Corporate Communications for all Sprint entities operating in  
22           Tennessee.

23

1   **II.    Purpose of Testimony**

3   **Q.    What is the purpose of your testimony?**

4   A.    The purpose of my testimony is to support the Application seeking approval for  
5       the transfer of control of United Telephone-Southeast, Inc. ("UTSE"), Sprint  
6       Long Distance Inc. ("LTD Long Distance") and Sprint Payphone Services, Inc.  
7       ("SPSI") to a new corporate parent. I will describe the separation of Sprint's local  
8       telecommunications business from the rest of Sprint and how it results in a  
9       transfer of control to LTD Holding Company. My testimony will demonstrate  
10      that UTSE, LTD Long Distance, and SPSI will continue to have the technical and  
11      managerial capabilities to provide quality service after the separation. I also will  
12      show that, other than the change in the company name and logo, the separation  
13      will be transparent to and beneficial to customers of UTSE, LTD Long Distance,  
14      and SPSI.

16   **Q.    What companies are you testifying on behalf of in this proceeding?**

17   A.    My testimony is provided principally on behalf of the companies in Tennessee  
18      that will experience a change in control from Sprint to LTD Holding Company  
19      effective upon completion of the separation: UTSE, LTD Long Distance, and  
20      SPSI. My testimony is also provided on behalf of LTD Holding Company, which  
21      will be the parent company for UTSE, LTD Long Distance and SPSI after the  
22      separation.

1   **III.   Company Overview and Description of the Separation**

2  
3   **Q.   Please describe UTSE's operations in Tennessee today.**

4   A.   Today, Sprint continues its tradition of more than a century of providing quality  
5       services to its local customers through the operations of its incumbent local  
6       exchange carrier ("ILEC") – United Telephone-Southeast, Inc. UTSE serves  
7       approximately 230,000 access lines in 22 communities in the state and provides a  
8       full portfolio of communications services to its customers, including local, long  
9       distance, wireless, high-speed data, and video. In 2004, UTSE invested over \$38  
10      million in capital additions in the state, bringing total plant assets in service to  
11      over \$580 million. UTSE paid approximately \$3.3 million in property taxes to  
12      state and local jurisdictions in Tennessee during 2004. UTSE's operations in  
13      Tennessee include more than 600 employees with a total annual payroll exceeding  
14      \$27 million. Contributions and sponsorships by UTSE during 2004 were in  
15      excess of \$140,000.

16  
17   **Q.   Please describe Sprint's current organizational structure as it relates to the**  
18       **companies for which Sprint is seeking transfer of control.**

19   A.   UTSE, LTD Long Distance and SPSI operate as direct or indirect subsidiaries of  
20       Sprint, and, collectively with Sprint's ILEC properties in 17 other states, make up  
21       Sprint's Local Telecommunications Division. LTD Long Distance was recently  
22       formed for the purpose of providing long distance service to customers of Sprint's

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1 ILEC operations, including customers of UTSE. The ultimate parent company of  
2 UTSE, LTD Long Distance and SPSI is Sprint.

3  
4 **Q. From an organizational perspective, what impact does the separation have**  
5 **on UTSE, LTD Long Distance and SPSI in Tennessee?**

6 A. The separation of Sprint's local telecommunications business from the rest of  
7 Sprint will result in little, if any change to UTSE, LTD Long Distance and SPSI.  
8 The operating entities in the state will remain the same. UTSE, LTD Long  
9 Distance and SPSI will continue to exist as separate companies and, as is  
10 explained later in my testimony, will continue to serve their local customers in a  
11 way that will ensure transparency to those customers.

12  
13 From a corporate structure perspective, the only change to these entities will be  
14 that the ultimate owner of these companies will be LTD Holding Company rather  
15 than Sprint. Attachment TWS-1 to my testimony shows the corporate structure of  
16 Sprint Corporation before its merger with Nextel Communications, Inc., the  
17 corporate structure of Sprint after the merger of the two companies, and the  
18 corporate structure related to the creation of the LTD Holding Company. These  
19 charts illustrate that at the completion of the separation UTSE, LTD Long  
20 Distance and SPSI are unchanged and simply are owned by a new parent  
21 company, LTD Holding Company.

22  
23 **Q. Will there be a corporate name change that results from the separation?**

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1     A.     Yes. The names of UTSE, LTD Long Distance and SPSI, or the names under  
2           which they will do business, will change as the separation of these entities from  
3           Sprint is completed. A new corporate name and logo are being developed and  
4           will be introduced on or near the effective date of the separation. Any state-  
5           required registrations, filings or notifications for the name changes will be  
6           completed at that time.

7

8     **IV.     The Transaction will be Transparent to Customers**

9

10    **Q.     How will the transaction affect the customer's experience?**

11    A.     The transaction will result in continuous service and, with the exception of the  
12           new company name and logo, the separation will be transparent to customers. On  
13           the day after the separation, UTSE, LTD Long Distance, and SPSI will offer the  
14           full ranges of products and services they offered the day prior to separation, at the  
15           same prices, and subject to the same rules, regulations and applicable tariffs.  
16           UTSE will continue to meet the needs of customers who want a "one stop shop"  
17           for voice and data communications needs through bundled service offerings. The  
18           separation will have no adverse affect on the quality of service customers enjoy,  
19           or on the ability of the company to meet all of its obligations. Equally important,  
20           there will be no change in the high quality customer service experience the  
21           company provides. Customers will continue to be able to call existing numbers to  
22           obtain new services, report service problems and address billing or other customer  
23           care issues.



1   **Q.    Will existing rules, regulations and tariffs continue to apply to UTSE, LTD**  
2       **Long Distance and SPSI?**

3    A.    Yes. The separation will not affect or change the certificated entities, and they  
4       will continue to provide local exchange service, long distance service and  
5       payphone services subject to existing statutes, orders, rules, regulations and  
6       applicable tariffs. Moreover, the transaction will have no impact on the terms of  
7       any interconnection agreements or UTSE's obligations under state and federal  
8       laws regarding interconnection.

9

10   **V.   Technical and Managerial Capabilities of UTSE, LTD Long Distance and SPSI**  
11       **to Continue Providing Quality Service**

12

13   **Q.    Will UTSE, LTD Long Distance and SPSI continue to possess the technical**  
14       **and managerial ability to provide quality service upon completion of the**  
15       **separation?**

16   A.    The certificated entities in Tennessee that provide service to our customers today  
17       will continue to provide the same services after the separation. Moreover, UTSE,  
18       LTD Long Distance, and SPSI will have the assets, agreements, technical  
19       capabilities, managerial expertise, employees and other resources needed to  
20       continue to provide quality services to our customers.

21

22   **Q.    How will the company ensure that the necessary assets are in place to ensure**  
23       **services can be provided as they are today?**

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1     A.     All equipment, buildings, systems, software licenses and other assets owned by  
2           UTSE will remain assets of UTSE. There will be no transfers or assignments of  
3           assets owned by UTSE as a result of the separation. Assets owned by other Sprint  
4           entities that currently serve the needs of multiple Sprint operations are being  
5           reviewed to determine which entity has the predominant use of the shared asset  
6           today and will continue to have a need for that asset in the future. Through a  
7           structured review process described in greater detail in the testimony of Kent W.  
8           Dickerson, a determination will be made regarding the future owner of each of the  
9           shared assets. For any shared assets that will remain with Sprint, LTD Holding  
10          Company, or one of its subsidiaries, will decide whether to purchase or lease  
11          similar assets, or contract for comparable services from a third party to best meet  
12          future needs. In the interim, Transition Services Agreements between Sprint and  
13          LTD Holding Company will provide access to needed assets to ensure the  
14          continuity of services as the separation is completed. As a result, LTD Holding  
15          Company, together with UTSE, LTD Long Distance and SPSI, will have all of the  
16          necessary network assets and ordering, provisioning, billing and customer care  
17          capabilities required to continue to provide high quality retail and wholesale  
18          services seamlessly after the separation.

19  
20     **Q.     What steps are being taken to ensure that after the separation, UTSE will**  
21           **have the capability to provide customers with the same types of services**  
22           **(local, long distance, wireless, high-speed internet and video) they provide**  
23           **today?**

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1     A.     UTSE will continue to provide a complete portfolio of services to its customers in  
2           Tennessee through a combination of self-provisioning and commercial  
3           agreements. UTSE's provision of local service and high-speed Internet services  
4           will be unaffected by the separation transaction. UTSE will continue to offer the  
5           same services, and at the same rates, terms and conditions that it does today.

6  
7           UTSE customers who currently have Sprint Communications Company L.P. as  
8           their long distance carrier and enjoy the benefits of one-stop shopping will have  
9           the ability to continue purchasing bundled services. Through a commercial  
10          agreement with Sprint Communications Company L.P., UTSE will have the  
11          capability to seamlessly provide long distance services to these customers under  
12          the same rates, terms and conditions the customers currently enjoy with Sprint  
13          Communications Company L.P. When the separation is complete, the consumer  
14          long distance customers of Sprint Communications Company L.P. within UTSE's  
15          service territory will become customers of LTD Long Distance. Business  
16          customers subscribed to Sprint Communications Company L.P. with their  
17          headquarters located in UTSE's service territory will also become customers of  
18          LTD Long Distance. The transfer of consumer and business customers from  
19          Sprint Communications Company L.P. to LTD Long Distance will be completed  
20          in accordance with Federal Communications Commission and Tennessee  
21          Regulatory Authority approvals and after required customer notices, which will  
22          include an opportunity for customers to choose another long distance carrier if  
23          they do not desire service from LTD Long Distance. The commercial agreement

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1       that enables UTSE's customers to continue to receive long distance services as  
2       they do today is described in greater detail in Mr. Dickerson's testimony.

3  
4       LTD Long Distance will also enter into a commercial agreement with Sprint for  
5       the provision of wireless services to UTSE customers. This commercial  
6       agreement will provide UTSE the continued ability to offer a wireless component  
7       for customers desiring integrated service offerings. The wireless commercial  
8       agreement with Sprint is also described in greater detail in Mr. Dickerson's  
9       testimony.

10  
11       UTSE currently offers customers the opportunity to purchase satellite video  
12       services as a component of an integrated service bundle through a sales agency  
13       agreement with EchoStar. The appropriate steps are underway to ensure the  
14       arrangement with EchoStar remains in place after the separation to enable  
15       customers to continue to purchase video services as part of their bundled service  
16       offering from UTSE.

17  
18       Through these long distance, wireless and video arrangements, UTSE and LTD  
19       Long Distance will continue to offer customers the opportunity to subscribe to  
20       bundles of local, long distance, wireless, high-speed Internet and video services as  
21       they do today.

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1   **Q.   How will the management structure and staffing ensure the companies'**  
2   **continued ability to provide quality service?**

3   A.   The customer service, network and operations functions that are critical to the  
4   companies' success today will continue when the separation is complete, and the  
5   companies will be staffed to ensure that continuity. Customers will continue to  
6   interact with the local employees who serve them today in their local  
7   communities.

8  
9   UTSE, LTD Long Distance, and SPSI will continue to receive certain  
10   management services from the corporate level, including human resources,  
11   finance, tax, communications, legal, planning, general support, and information  
12   services. Although the services will be the same as those provided today, and will  
13   be staffed by many of the same experienced and knowledgeable people currently  
14   providing those services, the entity that provides these services will be a new  
15   management company subsidiary of LTD Holding Company. Continuing to  
16   maintain these centralized functions will allow individual operating companies  
17   including UTSE to benefit from the efficiencies of centralized support services.

18  
19   At the senior management level, LTD Holding Company will be managed by  
20   capable and experienced executives who will provide continuity and consistency  
21   of operations after the separation is completed. Daniel R. Hesse has been named  
22   Chief Executive Officer of LTD Holding Company. Mr. Hesse has extensive  
23   experience in the telecommunications industry, including 23 years at AT&T.

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Michael B. Fuller has been named the Chief Operating Officer of LTD Holding Company. Mr. Fuller, currently President and Chief Operating Officer of Sprint's Local Telecommunications Division, has had responsibility for leading Sprint's local telephone operations since 1996. Gene Betts, formerly Sprint Corporation's Senior Vice President and Treasurer, has been named Chief Financial Officer of LTD Holding Company. Tom Gerke, formerly Executive Vice President-General Counsel and External Affairs of Sprint Corporation, has been named General Counsel for LTD Holding Company. James A. Hansen has been named the senior officer to lead LTD Holding Company's Network and Customer Service Organization. For Mr. Hansen, this represents a continuation of his current responsibilities and focus on network operations of Sprint's ILEC operations. Attachment TWS-2 to my testimony shows organizational charts for LTD Holding Company with the named senior management team identified. The senior management team has an average tenure with Sprint of nearly 18 years, with approximately 170 years of combined Sprint experience.

**VI. Benefits of the Separation**

**Q. You've outlined the proposed separation and its impacts on the company in Tennessee. Could you explain why Sprint is pursuing this separation of its ILEC operations?**

**A. UTSE, LTD Long Distance, Inc. and SPSI operate in an industry that has been and continues to be subject to technological advances, evolving consumer**

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1 preferences, and dynamic change. These factors, combined with recent regulatory  
2 developments, result in a market environment where the interests of Sprint's local  
3 wireline operations will begin to diverge from Sprint's increasingly wireless-  
4 centric focus. Establishing Sprint's wireline local service operations as an  
5 independent, stand-alone corporation creates a company whose primary strategic  
6 focus is on building upon its local wireline capabilities to provide a full portfolio  
7 of quality services to residential and business customers in its local territory. The  
8 separation establishes a heightened level of clarity in terms of the company's  
9 vision and purpose; a clarity that has the beneficial effect of better aligning the  
10 interests of the company with the interests of its local telephone customers.

11  
12 **Q. Please explain how the separation will result in clarity of vision and purpose?**

13 A. The separation of Sprint's ILEC operations will allow its local customers to be  
14 served by a company with a local focus. Prior to merger, Sprint Corporation  
15 served nearly three times as many wireless customers as local wireline customers.  
16 With the merger, Sprint serves five times as many wireless customers as wireline  
17 customers. Given the predominance of wireless customers, Sprint will naturally  
18 focus on its nationwide business built around wireless services and its nationwide  
19 fiber optic and global IP network.

20  
21 This separation of Sprint's ILEC operations will allow UTSE's local customers to  
22 be served by a company whose primary strategic interest is the specific local  
23 franchised areas it serves in Tennessee. The result is a company that seeks to be

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1 the preferred hometown communications company with a single-minded focus on  
2 its local markets in Tennessee.

3  
4 **Q. How will customers benefit from the company's enhanced clarity of vision**  
5 **and purpose?**

6 A. UTSE's success will be directly dependent upon its ability to meet the needs of its  
7 local customers. Customers are most interested in a company that understands  
8 and can provide solutions to communications needs in their local community.  
9 The separation allows the company to focus with clarity on serving the interests  
10 of its customers in the local communities.

11  
12 With a more targeted local focus, UTSE can enhance its local presence to be more  
13 responsive in service delivery, product portfolio and customer interaction. It will  
14 be better positioned to listen to its customers' needs, and to service those needs by  
15 tailoring products specifically to its local customer base. Although  
16 comprehensive plans for specific programs are still in the development stage,  
17 examples of areas where this local focus concept would be manifested include:

- 18  
19 • Many of Sprint's wireline and wireless business and residential offerings  
20 have concentrated on product offerings that target national urban markets.  
21 Since many of UTSE's local customers live in more rural areas, their  
22 needs are often different from the needs of Sprint's nationwide customer  
23 base. UTSE will have the freedom to create product offerings that better



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1 reflect the preferences of its current local customers. As an example,  
2 UTSE is considering offerings designed to complement wireline service  
3 rather than replace it, which may be more attractive to its local customers.

- 4  
5 • UTSE is evaluating opportunities to increase its local presence through the  
6 placement of retail stores in selected local communities.

- 7  
8 • Local cross-functional teams with representatives from customer-facing  
9 organizations, including operations, consumer and business marketing and  
10 public affairs, will be formed and charged with greater accountability for  
11 overall performance in specific geographic areas. These local teams will  
12 be responsible for understanding customers' needs in specific geographic  
13 markets and developing market-specific actions to address those needs.

- 14  
15 • Responsibility for responding to the needs of business customers in  
16 UTSE's local territory is being shifted from an organization with national  
17 focus to an organization that will focus exclusively on the business  
18 customers in UTSE's territory. This local emphasis will be enhanced by  
19 physically locating employee resources dedicated to local business  
20 customers in or near local markets. Business customers will benefit from  
21 a business sales and service organization whose focus will be on  
22 understanding and meeting their specific communications needs in  
23 UTSE's local territory.

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1   **Q.    You indicated that the separation and resulting local focus allowed for a**  
2       **better alignment of the interests of the company with the interests of its**  
3       **customers. Can you explain?**

4   **A.    The separation provides a greater opportunity for UTSE to compete effectively to**  
5       **retain and grow its customer base with a level of independence the company**  
6       **would not have as part of a larger corporation with a predominantly wireless and**  
7       **national focus. Customers benefit from the increased focus on their needs and**  
8       **UTSE benefits from retaining and attracting those customers whose needs are**  
9       **satisfied by the company's offerings, service quality, and customer care.**

10

11       The separation will allow Sprint to compete more effectively in three important  
12       ways. First, separating the ILEC business from Sprint eliminates any potential  
13       tensions between Sprint's anticipated national wireless strategy and LTD Holding  
14       Company's local wireline strategy. For example, Sprint has announced that it will  
15       focus on serving as a wireless alternative to wireline service and to advance  
16       competition by, for example, enabling cable companies' voice offerings or using  
17       other technologies. Sprint's goal of replacing existing local wireline service is  
18       inconsistent with LTD Holding Company's goal of building on its local wireline  
19       capabilities. Second, the separation will allow decisions to be made more quickly  
20       and will allow flexibility for creating bundles and product portfolios in specific  
21       markets. Among other things, LTD Holding Company will be able to offer new  
22       products more rapidly and to respond to new offerings from alternate providers  
23       quickly in the local market. Third, as described above, the separation will allow

LTD Holding Company to focus on developing products targeted to local customers.

**Q. How will this enhanced clarity be reflected in the company's operations in the local communities it serves?**

A. UTSE will strengthen its local emphasis and build on its foundation of local services as it continues to meet the telecommunications needs of customers. Local affairs will continue to be managed by employees with established local connections. UTSE will continue to be an active participant in local activities and to provide opportunities for employees to do so as well. With financial contributions, volunteer efforts and philanthropic involvement, UTSE views its citizenship role as an integral part of its corporate responsibilities. UTSE intends to continue its current community efforts, focusing on education, youth development, community improvement and economic development, after the separation is completed.

## **VII. Summary**

**Q. Could you summarize your testimony?**

A. The transfer of control of United Telephone-Southeast, Inc., Sprint Long Distance Inc. and Sprint Payphone Services, Inc. from Sprint to LTD Holding Company will be transparent to customers. It will not affect the companies' technical and managerial capabilities to provide quality communications services. The

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1 testimonies of Kent Dickerson of Sprint Nextel as well as Kevin P. Collins from  
2 Houlihan Lokey demonstrate the financial capabilities of United Telephone-  
3 Southeast, Inc. and LTD Holding Company. Dr. John Mayo, Professor of  
4 Economics, Business, and Public Policy at Georgetown University, provides an  
5 independent evaluation of the proposed transaction and supports his findings that  
6 it is in the public interest and it is natural and expected for corporations to seek to  
7 organize themselves in an efficient and strategically focused manner. Testimony  
8 of all the witnesses, including my own, ultimately supports a finding that the  
9 separation is in the public interest. The separation will result in a company whose  
10 primary strategic focus will be to build upon its local wireline capabilities in  
11 providing quality services to residential and business customers in its local  
12 territory. This separation will allow the company to clarify its vision and purpose;  
13 this clarity will have the beneficial effect of better aligning the interests of the  
14 company with the interests of its customers. Because the separation of the local  
15 operations is in the public interest, the Commission should, therefore, approve the  
16 change of control of United Telephone-Southeast, Inc., Sprint Long Distance Inc.  
17 and Sprint Payphone Services, Inc to LTD Holding Company.

18  
19 **Q. Does this conclude your testimony?**

20 **A. Yes.**

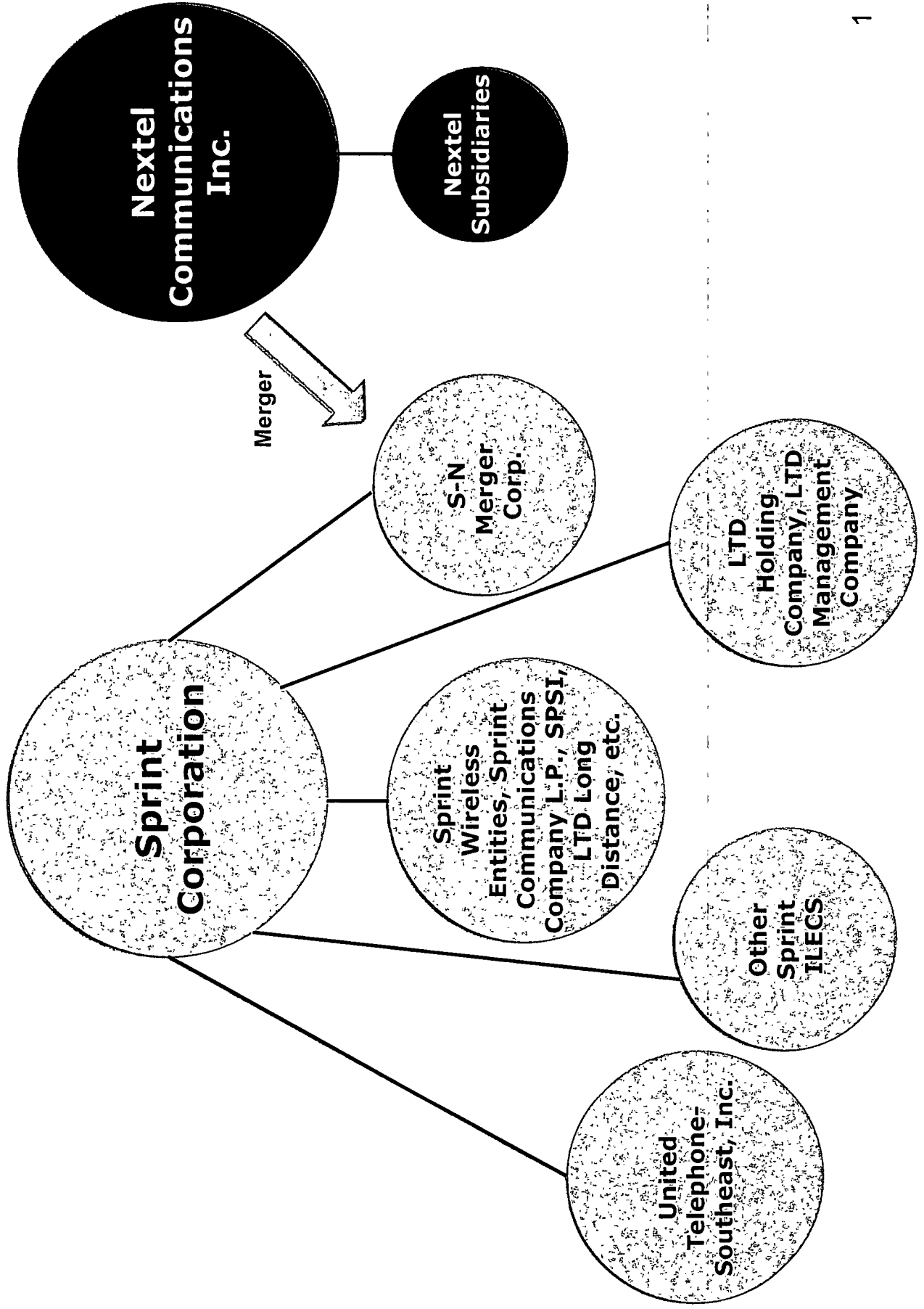
## ATTACHMENT TWS-1

### Corporate Structures

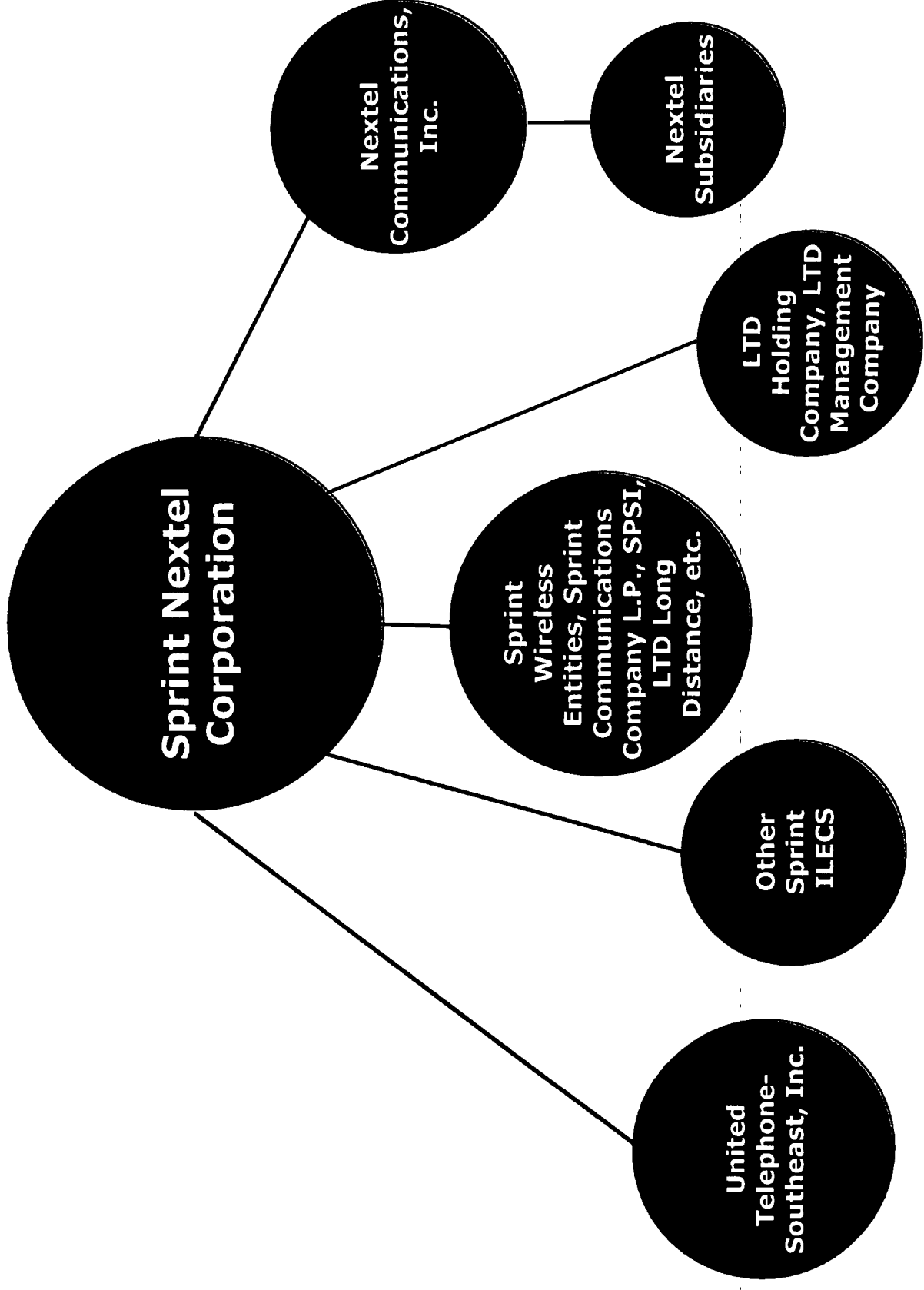
**\*\*\* PUBLIC VERSION \*\*\***

No Confidential or Highly Confidential Version

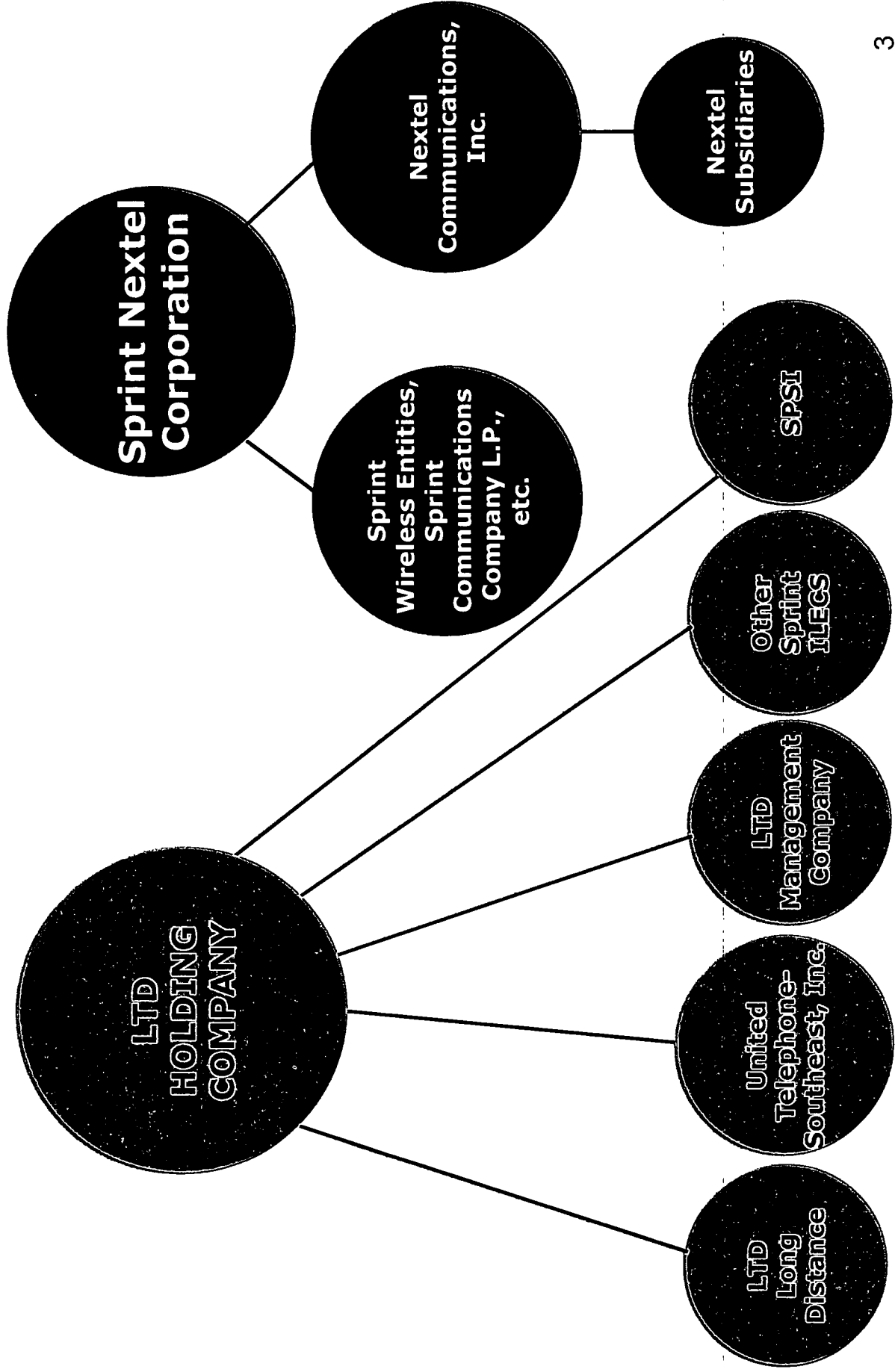
# Sprint and Nextel - Pre-Merger



## Sprint Nextel – Post Merger



# LTD Holding Company Separation from Sprint Nextel





**ATTACHMENT TWS-2**

**LTD Holding Company Organization Chart**

**\*\*\* PUBLIC VERSION \*\*\***

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# LTD Holding Company Organizational Structure

